

to schools and libraries that meet certain criteria regarding endowments or eligibility for participation in State-based plans for funds, and prohibits resale or transfer of the services to any other party by the eligible school or library.<sup>15</sup> These provisions prohibit an eligible school or library from receiving subsidy under this program if it receives of the cost of developing its network with another entity which is ineligible. This will help ensure that this program is targeted toward the entities that truly need the support.

The Commission seeks comment on the criteria it should use to specify a rural area eligible for support. The Rural Health Policy Office currently defines rural areas based on Metropolitan Statistical Areas, as defined by the Census Bureau. The Commission should adopt this definition. The subsidy provided to health care providers should go only to health care providers in these areas.<sup>16</sup>

#### **X. OTHER ISSUES**

The Commission asks how to assess whether quality services are being made available.<sup>17</sup> New competitors that enter the market will have to provide service quality at least equal to, and probably better than, the

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<sup>15</sup> **See** Section 254(h)(3) and (4).

<sup>16</sup> Section 254(h)(5)(B) of the 1996 Act allows subsidy only to health care providers that serve rural areas, while Section 254(h)(1)(A) defines who is a health care provider.

<sup>17</sup> **NPRM** at para. 4.

incumbent's in order to obtain any customers. State commissions already monitor incumbent LEC quality of service, particularly with respect to services that constitute basic universal service.<sup>18</sup> MCI recommends that, due to the historical expertise of the states in this area, oversight of quality should be an issue resolved in state universal service plans. MCI suggests that the Joint Board and Commission simply require the state commissions to decide what measures they will use to ensure quality -- e.g., performance standards, monitoring via collection of performance statistics or complaints, etc. However, the Joint Board and the Commission should create a higher burden for any state that seeks to impose equivalent reporting requirements on new entrants. Because there is no incentive for new entrants to provide lower quality service, it is especially important that the states not burden new entrants with the cost of collecting and filing service quality data.

The Commission seeks to know what advanced services should be provided, and what the cost of those services is. At present, there are no advanced services that have achieved such market penetration as to justify their inclusion in the list of services that receive universal service support. As the market develops, and customers purchase advanced services in the marketplace, additional advanced services can be added to the list of

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<sup>18</sup>

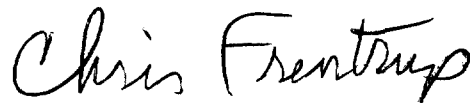
For example, the state of Oregon recently ended its alternative regulation plan for U S West due to concerns about the degradation of service quality since the beginning of that plan. This experience suggests that the incumbent LECs' quality of service may need to be monitored.

services that are eligible for subsidy, after the Commission performs a cost/benefit analysis as discussed infra.

**XI. CONCLUSION**

For the foregoing reasons, the Commission should adopt MCI's proposals for handling universal service subsidy.

Respectfully submitted,  
MCI TELECOMMUNICATIONS CORPORATION

A handwritten signature in black ink that reads "Chris Frentrop". The signature is written in a cursive, flowing style.

Chris Frentrop  
Senior Regulatory Analyst  
1801 Pennsylvania Avenue, NW  
Washington, DC 20036  
(202) 887-2731

April 12, 1996

**STATEMENT OF VERIFICATION**

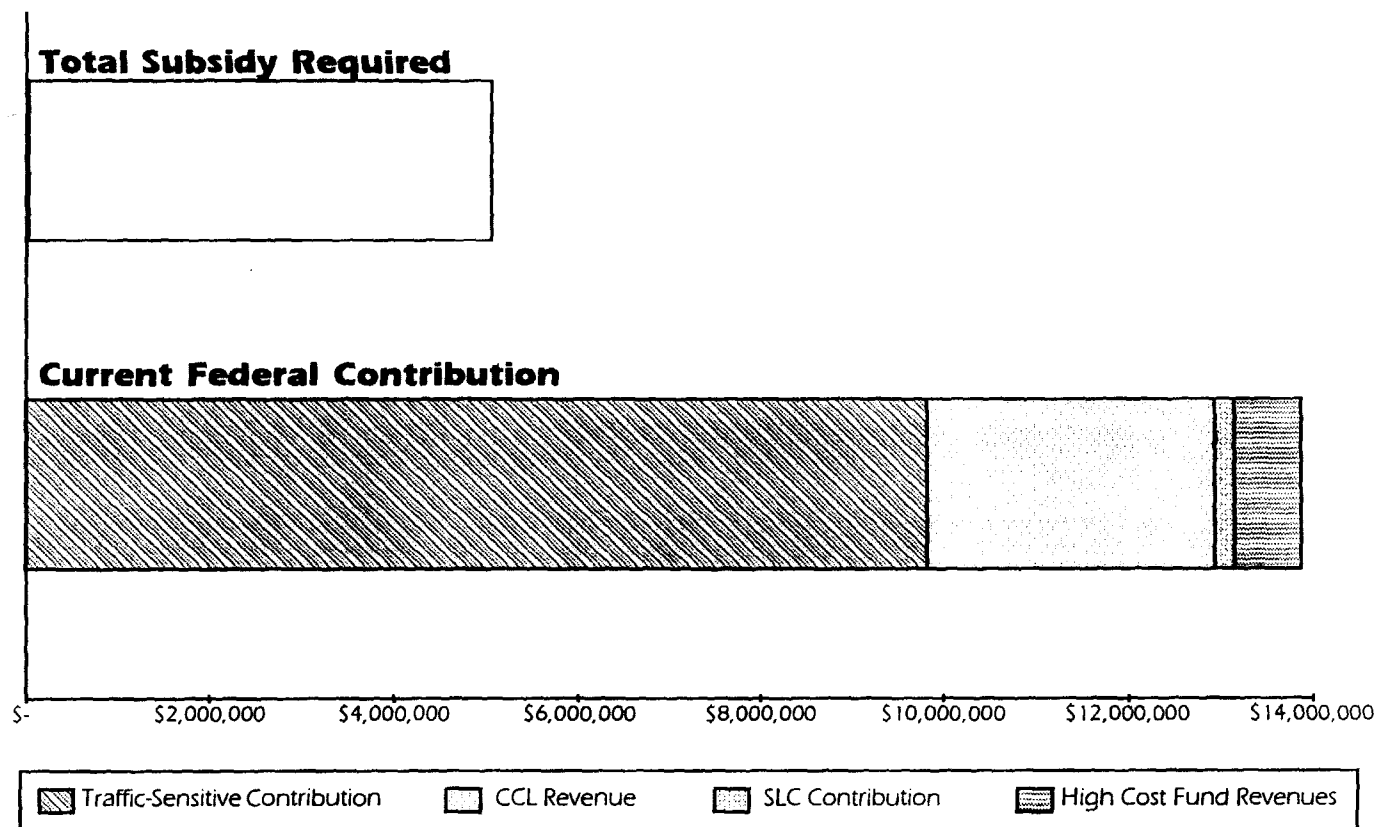
**I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on April 12, 1996.**

A handwritten signature in cursive script, reading "Chris Frentrop", written in black ink. The signature is positioned above a horizontal line.

**Chris Frentrop  
1801 Pennsylvania Avenue, NW  
Washington, D.C. 20006  
(202) 887 2731**

## **APPENDIX A**

# Current Universal Service Costs



Source: Benchmark Cost Model 1995 and Hatfield Associates, 1996.

April 4, 1996



## **CERTIFICATE OF SERVICE**

I, Stan Miller do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following of this 12th day of April, 1996.

The Honorable Reed E. Hundt\*\*  
Chairman  
Federal Communications Commission  
1919 M Street, N.W., Room 814  
Washington, DC 20554

The Honorable Andrew C. Barrett\*\*  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W., Room 826  
Washington, DC 20554

The Honorable Susan Ness\*\*  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W., Room 832  
Washington, DC 20554

The Honorable Julia Johnson  
Commissioner  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

The Honorable Kenneth McClure  
Vice President  
Missouri Public Service Commission  
301 W. High Street, Suite 530  
Jefferson City, MO 65102

The Honorable Sharon L. Nelson  
Chairman  
Washington Utilities and Transportation  
Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

The Honorable Laska Schoenfelder  
Commissioner  
South Dakota Public Utilities  
Commission  
500 E. Capital Avenue  
Pierre, SD 57501

Martha S. Hogerty  
Public Counsel for the State of Missouri  
P.O. Box 7800  
Harry S. Truman Building, Room 250  
Jefferson City, MO 65102

Deborah Dupont\*\*  
Federal Staff Chair  
Federal Communications Commission  
2000 L Street, N.W. Suite 257  
Washington, DC 20036

Paul E. Pederson, State Staff Chair  
Missouri Public Service Commission  
P.O. Box 360  
Truman State Office Building  
Jefferson City, MO 65102

Eileen Benner  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0074

Charles Bolle  
South Dakota Public Utilities  
Commission  
State Capital, 500 E. Capital Avenue  
Pierre, SD 57501-5070

**William Howden\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

**Lorraine Kenya**  
Alaska Public Utilities Commission  
1016 West Sixth Avenue, Suite 400  
Anchorage, AK 99501

**Debra M. Kriete**  
Pennsylvania Public Utilities  
Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Clara Kuehn\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

**Mark Long**  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Gerald Gunter Building  
Tallahassee, FL 32399-0850

**Samuel Loudenslager**  
Arkansas Public Service Commission  
P.O. Box 400  
Little Rock, AR 72203-0400

**Sandra Makeeff**  
Iowa Utilities Board  
Lucas State Office Building  
Des Moines, IA 50319

**Philip F. McClelland**  
Pennsylvania Office of  
Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

**Michael A. McRae**  
D.C. Office of the People's Counsel  
1133 15th Street, N.W., Suite 500  
Washington, DC 20005

**Rafi Mohammed\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

**Terry Monroe**  
New York Public Service Commission  
Three Empire Plaza  
Albany, NY 12223

**Andrew Mulitz\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 542  
Washington, DC 20036

**Mark Nadel\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

**Gary Oddi\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

**Teresa Pitts**  
Washington Utilities and Transportation  
Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**Jeanine Poltronieri\*\***  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036



James Bradford Ramsay  
National Association of Regulatory  
Utility Commission  
1201 Constitution Avenue, N.W.  
Washington, DC 20423

Jonathan Reel\*\*  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Brian Roberts  
California Public Utilities  
Commission  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

Gary Seigel\*\*  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Pamela Szymczak\*\*  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

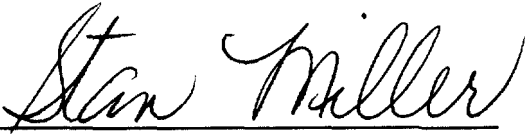
Whiting Thayer\*\*  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Deborah S. Waldbaum  
Colorado Office of Consumer Counsel  
1580 Logan Street, Suite 610  
Denver, Colorado 80203

Alex Belinfante\*\*  
Federal Communications Commission  
1919 M Street, N.W.,  
Washington, DC 20554

Larry Povich\*\*  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, DC 20554

HAND DELIVERED\*\*

  
Stan Miller